

Message Text

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USDOC FOR BEWT/TDAD, BEWT/USSR AND BTR/OEA

E.O. 11652: N/A

TAGS: BGEN, ESTC, ETRD, UR

SUBJECT: TOUR D'HORIZON WITH DEPARTING HEAD OF
HONEYWELL MOSCOW OFFICE

1. GARY LEHR, WHO HEADED MOSCOW OFFICE OF HONEYWELL CORPORATION FOR PAST FOUR YEARS, DISCUSSED FIRM'S OPERATIONS AND PROSPECTS WITH COMATT AND ACTING DEPDIR USCO JUNE 22. LEHR OUTLINED FIRM'S COMMERCIAL OPERATIONS SINCE OPENING OF ACCREDITED OFFICE IN MOSCOW IN NOVEMBER, 1974, AND PROVIDED BRIEF OVERVIEW OF HOW FIRM PERCEIVES FUTURE OPERATIONS IN USSR.

2. PAST PERFORMANCE: LEHR SAID THAT STARGING VIRTUALLY FROM SCRATCH IN 1974, HONEYWELL HAS SOLD OVER 50 MILLION DOLLARS WORTH OF GOODS TO SOVIET UNION. FIRM'S SALES, BROKEN DOWN BY YEAR, WERE ROUGHLY AS FOLLOWS:

1974 -- \$ 5 MILLION

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1975 -- \$ 18 MILLION
1976 -- \$ 14 MILLION

1977 -- \$ 10 MILLION

3. CURRENT YEAR'S PROSPECTS: AS FOR 1978, LEHR THOUGHT THAT WITH A LITTLE LUCK, HONEYWELL WOULD GROSS ABOUT SAME AS LAST YEAR (\$10 MILLION).

IF FIRM WAS SUCCESSFUL, HOWEVER, IN ITS BID ON TWO LARGE PROJECTS: (A) CONTROL EQUIPMENT FOR A DRILL SHIP IN CASPIAN AND, (B) FOR AUXILIARY EQUIPMENT ON SAMOTLOR GAS-LIST PROJECT, THEN SALES COULD GO MUCH HIGHER. LEHR THOUGHT HONEYWELL'S CHANCES WERE REASONABLY GOOD ON BOTH PROJECTS.

4. MARKETING PROFILE: RESPONDING TO QUESTIONS ON HONEYWELL'S MARKETING STRATEGY IN USSR, LEHR ESTIMATED FIRM'S FOUR-YEAR EQUIPMENT SALES BY CATEGORY, AS FOLLOWS:

COMPUTERS	50 PERCENT
INDUSTRIAL CONTROL VALVES	10 PERCENT
BUILDING REGULATION SYSTEMS	10 PERCENT
MICRO SWITCHES, KEYBOARDS, ETC.	10 PERCENT
TRANSMITTERS, CONTINUOUS PROCESS CONTROL EQUIPMENT ETC.	20 PERCENT

-- TOTAL: 100 PERCENT

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OVERALL, LEHR SAID, COMPUTER SALES HAD DECLINED AS PERCENTAGE OF WHOLE BY SOME TEN POINTS SINCE BEGINNING OF SERIOUS MARKETING EFFORTS IN SOVIET UNION. LEHR ATTRIBUTED FALL-OFF IN THIS CATEGORY TO EXPORT LICENSING PROBLEMS.

5. CRAWFORD ARREST: LEHR SAID PERSONALLY THAT HE WAS EXTREMELY CONCERNED ABOUT IMPACT CRAWFORD ARREST WOULD HAVE ON COMMERCIAL OPERATIONS IN USSR. HE SAID HE HAD NOT FELT IT WISE TO SEND TELEX COMMUNICATION OUTLINING HIS FEARS TO HONEYWELL HEADQUARTERS IN MINNEAPOLIS BECAUSE ALL TELEX TRAFFIC WAS MONITORED BY SOVIET AUTHORITIES. HE DID SAY, HOWEVER, THAT HE INTENDED TO HAVE PRIVATE MEETING WITH HONEYWELL PRESIDENT AND CHIEF EXECUTIVE OFFICER KEATING AS SOON AS HE RETURNED TO U.S. HE SAID HE WOULD URGE APPROPRIATE (UNSPECIFIED) ACTION BY FIRM SHOULD CRAWFORD CASE DRAG ON.

6. MARKETING OUTLOOK: LEHR SAID HE REMAINED "CAUTIOUSLY OPTIMISTIC" ABOUT LONG-TERM PROSPECTS

FOR HONEYWELL SALES IN USSR, ALTHOUGH HE ADMITTED THAT MARKETING OUTLOOK HAS "ERODED SIGNIFICANTLY IN LAST FOUR MONTHS." HE ATTRIBUTED MARKET EROSION TO "EVENTS" IN POLITICAL AND COMMERCIAL SPHERE, INCLUDING CRAWFORD AFFAIR. HE SAID THAT IF SUCH PROBLEMS CONTINUED TO MOUNT AND PROFITABILITY TO DECLINE, THEN HONEYWELL WOULD "GET OUT." ASKED HOW THIS WOULD BE DONE, LEHR SAID FIRM WOULD SIMPLY HAND OVER MOSCOW OFFICE, SOMEWHAT LESS THAN GRACEFULLY, TO HONEYWELL-BULL OF FRANCE. LEHR -- AND PRESUMABLY HIS SUPERIORS IN

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MINNEAPOLIS -- FELT HONEYWELL WOULD "LOSE LESS FACE" THAT WAY.

7. COMMENT: ALTHOUGH HONEYWELL HAS NOT BEEN A STAR PERFORMER ON SOVIET MARKET, ITS SALES RECORD HAS BEEN IMPRESSIVE AND, EXCEPT FOR 1977 AND RECENT MONTHS, HAS SHOWN STEADY GROWTH. GIVEN WIDE ARRAY OF HONEYWELL'S INDUSTRIAL PRODUCT LINE AND ITS APPEAL TO SEVERAL INDUSTRY SECTORS, WE FOUND PARTING COMMENTS OF ITS SENIOR REPRESENTATIVE, WHO HAD FOUR YEARS' EXPERIENCE IN MOSCOW, PARTICULARLY SIGNIFICANT. WE DO NOT, OF COURSE, KNOW HOW MUCH WORSE THINGS WOULD HAVE TO GET BEFORE FIRM WOULD TAKE DECISION TO LOWER ITS PRESENCE IN USSR. IT WAS APPARENT FROM LEHR'S REMARKS, HOWEVER, THAT MATTER HAD BEEN FULLY AND RECENTLY DISCUSSED WITHIN FIRM.

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